

Response to the United States General Accounting Office
Commercial Activities Panel
Public Hearing - August 15, 2001
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Mr. Chairman and members of the panel, below are responses to questions posed by the United States General Accounting Office Commercial Activities Panel at its August 15, 2001 hearing in San Antonio, Texas.

Question 1. - “What type of functions should be retained within the government in order to a) manage cost, quality, and performance of whatever’s being contracted out; and b) in order to perform what other functions inherently should not be contracted out – such as understanding the business, liaisioning between the business people and the technology people, etc.”

Answer – In order to manage cost, quality, and performance of whatever’s being contracted out, the government needs to retain or acquire personnel that understand information technology as well as their agency’s mission. Since IT outsourcing is a partnership between the government and its contractor, agency managers must be skilled in the working with the contractor team in pursuit of the agency’s mission. In the process, the government will be ceding some operational control to the contractor in order to concentrate more effectively on policy control. Information technology is an enabler, a means to an end, not an end in and of itself. Agencies must also have a stable of contracting officers who are skilled and experienced in negotiating complex IT partnerships with the private sector.

With respect to what functions should not be contracted out, this really is a matter that only the agency can determine. The IT industry believes that the Government should rely on the private sector to provide all commercial activities other than those determined by the Government to be “inherently Governmental”

Question 2. – “A little bit of discussion about types of services. There are certain types – there are many types of services dealing with technology. For example, facilities management where you’re talking about longer range contracts, versus application development or whatever else. You look at A-76 and it’s driven primarily by cost. There are some areas where you deal in information technology that due to economies of scale and a variety of other things, cost may well be a reasonable basis to consider. There are some areas that by definition the private sector is going to be more expensive, and it’s a costs versus capabilities equation versus just a costs equation; so any comments you have about that.”

Answer – OMB designed the A-76 process so that the government makes awards based on lowest cost. A-76 might be appropriate for those service contracts/opportunities where “best

value” equates to low cost. However, this model clearly is not descriptive of how to measure the value” of the IT infrastructure and applications necessary to transform agency processes. Though cost is and will continue to be an important issue for the government, today the focus should be on obtaining the best value which can take many forms, including extracting as much return as possible from legacy systems – either by consigning them to commodity service (and having the low-cost provider operate them), retiring them completely or e-enabling them to support e-government functions. This latter point is most appropriate for outsourcing, since private sector companies have proven expertise and bring commercial best practices to help government agencies move to a “web-enabled environment”. U.S. citizens will expect the federal government to become truly Web-enabled, as they’ve seen the private sector successfully do. Other governments around the world and our states are embracing e-government strategies. They recognize this is a transformation that is critical if they’re going to continue to play an important role in promoting economic growth and productivity.

Question 3. – “You’ve obviously taken on tasks from government of various kinds, not just the federal government, but state, local and foreign governments that were moving tasks out of their own organizations to an outside source. We’d be very interested in learning how they made that decision and how that process might be brought into a federal setting. If you have examples that you could offer, that would be really terrific.”

Answer - IBM has a long history of working with almost every level of government on a variety of technology needs. Local government officials around the globe are pursuing information technology solutions to help their economic development vision of the future become reality. To achieve their goals, they realize, the need to partner with private industry to leverage the industry’s experiences and capabilities for delivering the highest security, flexibility and integration of their existing systems. In this sense we believe that governments choose to partner with a commercial IT company in a manner very similar to commercial enterprises do when they choose an information technology partner. They fall in to two broad categories:

- Business/government needs –
 - Speed e-government initiatives
 - Close skills and knowledge gaps
 - Strengthen links with partner, suppliers and citizens
 - Accelerate speed to delivery of value-rich offerings and services
- Technology demands
 - Build a strong, scalable, flexible e-government infrastructure
 - Implement web-based initiatives
 - Integrate systems and processes
 - Automate processes to achieve short- and long-term objectives
 - Protect and leverage existing investments while pursuing new initiatives
 - Enable real-time collaboration, knowledge and content management.

On the other side of the equation, governments have high expectations from their IT partners:

- Thought leadership driven by a deep reserve of intellectual capital and resources, and supported by best-in-class technologies, methodologies, skills and practices.
- A willingness to share both risks and rewards, as well as to help address and resolve challenges.
- A proactive approach reflected in the ability to quickly and cost-effectively align IT services with agency mission, with the goal of closing gaps between legacy systems and new technologies and applications.
- Proven skills in developing and deploying key e-government solutions, including knowledge and content management, and collaboration.
- Scalable, asset-based capabilities that include web site and application hosting, storage and other utility services, and packaged application management services.